

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: ETRD, IN

SUBJECT: BILATERAL TEXTILE AGREEMENT

REF: A) NEW DELHI 5872 B)STATE 90291 C STATE 103919

1. WHILE DEPARTMENT WILL BE HAPPY TO CLARIFY BILATERAL TEXTILE SITUATION FOR EMBASSY, WE DO NOT UNDERSTAND NEED FOR USG TO "SET RECORD STRAIGHT" WITH GOI CONCERNING EFFECT OF JANUARY AMENDMENT TO BILATERAL TEXTILE AGREEMENT.

2. JANUARY AMENDMENT WAS EFFECTED AT REQUEST OF GOI AND WAS STRUCTURED TO GIVE GREATEST BENEFIT TO EXPORTS OF APPAREL, PARTICULARLY OF HANDLOOM FABRIC, WHICH THE GOI IDENTIFIED AS ITS TOP PRIORITY TEXTILE EXPORT. AMENDMENT RESULTED NOT ONLY IN OVERALL YARDAGE GAIN FOR INDIA BUT MORE THAN DOUBLED QUOTA AVAILABILITY IN THE APPAREL AREA,

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WH,CH IS ESPECIALLY SENSITIVE IN THE U.S. MARKET. QUOTA

FOR ALL APPAREL PRODUCTS WAS INCREASED FROM APPROXIMATELY 30 MILLION TO APPROXIMATELY 69 MILLION SYE, WITH THE LARGEST PART DESIGNATED FOR MACHINE-SEWN HANDLOOM FABRIC APPAREL.

3. IN OUR NUMEROUS DISCUSSIONS DURING PERIOD SINCE AMENDMENT WAS SIGNED, GOI EMBASSY HAS NEVER ALLEGED THAT INDIA LOST YARDAGE AS A RESULT OF THE JANUARY AMENDMENT; NEITHER HAS SUCH A CLAIM BEEN MADE IN THE WRITTEN REQUESTS WHICH THE EMBASSY HAS SUBMITTED TO THE DEPARTMENT. AS NOTED REF B, DIXIT ACKNOWLEDGED DURING OUR LAST MEETING THAT AMENDMENT RESULTED IN SUBSTANTIAL GAIN FOR INDIA AND THAT THE GOI BELIEVED AT THE TIME OF THE NEGOTIATIONS THAT THE AMENDMENT WOULD PROVIDE THE SOLUTION TO ITS TEXTILE TRADE PROBLEMS WITH THE U.S. GOI HAS ARGUED, RATHER, THAT SPECIAL TRADE CONDITIONS WHICH DEVELOPED SUBSEQUENT TO THE NEGOTIATION OF THE AMENDMENT COMPEL INDIA TO REQUEST AN EXTRAORDINARY, ONE YEAR INCREASE IN QUOTAS. PRINCIPAL JUSTIFICATION FOR REQUESTED INCREASE HAS BEEN THAT INDIA HAS MORE ORDERS THAN CAN BE SHIPPED UNDER QUOTA, A SITUATION WHICH OBVIOUSLY WOULD APPLY IN ALMOST EVERY COUNTRY WITH WHICH WE HAVE A BILATERAL TEXTILE AGREEMENT.)

4. USG STATEMENT TO GOI ON TEXTILE MATTERS WOULD ALSO BE INAPPROPRIATE AT THIS TIME BECAUSE OF COMPLICATED AND CONSTANTLY CHANGING SITUATION IN THIS AREA. ECONOMIC MINISTER DIXIT DELIVERED LETTER TO DEPARTMENT ON APRIL 23 REITERATING GOI REQUEST FOR AD HOC ADDITIONAL QUOTA INCREASE, AND REQUESTING CONSULTATIONS WITH USG IN MAY OR JUNE TO REVIEW ENTIRE AGREEMENT. CONCERNED AGENCIES ARE ALSO REVIEWING NOW WITH GOI EMBASSY SITUATION IN MADE-UPS AND MISCELLANEOUS SUB-GROUP IN LIGHT OF RECENT EMBARGO REF C). WE WILL REPORT DEVELOPMENTS IN THESE AREAS BY SEPTTEL.

5. FOR EMBASSY'S INFORMATION, FOLLOWING IS OUTLINE OF STATUS OF QUOTAS AND SHIPMENTS UNDER BILATERAL AGREEMENT, AND IN SPECIAL HANDLOOM CATEGORY. YOU SHOULD NOT, REPEAT, NOT USE THESE FIGURES IN DISCUSSIONS WITH THE GOI ON TEXTILE MATTERS.

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-- (A) GROUP I: UNDER AUGUST 6, 1974 AGREEMENT, THIRD YEAR LIMIT FOR GROUP I WAS 136.24 MILLION SYE. AMENDMENT REDUCED THIS TO 120 MILLION SYE AND TRANSFERRED CATEGORIES 28 THROUGH 38 (MADE-UPS) FROM GROUP II TO GROUP I. CATEGORIES 28 - 38 AND 64 ARE SUBJECT TO A SUB-LIMIT OF 10 MILLION SYE. NEITHER USG NOR GOI ANTICIPATED YARDAGE WOULD BE IN HEAVY DEMAND IN GROUP I, WHICH WAS SUBSTANTIAL.

UNDERSHIPED LAST YEAR. GOI HAS INDICATED THAT IT INTENDS TO EXERCISE ITS RIGHT TO "SWING" YARDAGE FROM YROUP I TO GROUP II, SO GROUP I LIMIT WILL BE REDUCED BY 1.818 MILLION SYE, LEAVING A TOTAL OF 118.182 MILLION SYE. IN ADDITION TO THIS LIMIT, GOI HAS RIGHT TO ADDITIONAL 12 MILLION SYE, UNDER CARRY FORWARD - CARRY OVER PROVISIONS.

-- B) GROUP II: UNDER 1974 AGREEMENT, THIRD YEAR GROUP II LIMIT WAS 37.78 MILLION SYE. JANUARY AMENDMENT REDUCED LIMIT TO 18.182 MILLION SYE. AT REQUEST OF GOI, AMENDMENT STATED LIMIT "INCLUDING SWING" WHICH IS 20 MILLION SYE. NO CARRY-OVER IS AVAILABLE IN GROUP II, WHICH WAS OVERSHIPPED DURING THE PRECEEDING AGREEMENT YEAR. (OVERSHIPMENT WAS NOT CHARGED TO GOI QUOTA LEVELS IN ANY FORM.) CARRY FORWARD IN THE AMOUNT OF 909,100 SYE IS AVAILABLE.

-- C) SPECIAL QUOTA FOR HANDLOOMS GROUP III) LIMIT FOR CURRENT AGREEMENT YEAR IS 2.9 MILLION DOZENS. ALTHOUGH IT IS NOT POSSIBLE TO DETERMINE A PRIORI TOTAL VALUE OF THIS QUOTA IN YARDAGE, SINCE THIS WILL DEPEND ON COMPOSITION OF SHIPMENTS, THE AVERAGE CONVERSION RATE FOR TYPICAL SHIPMENTS IS 16.9 SQUARE YARDS PER DOZEN. USING THIS CONVERSION FIGURE, TOTAL AVAILABILITY UNDER THE HANDLOOM QUOTA IS 49 MILLION SYE. S;CE THIS QUOTA IS OUTSIDE THE AGREEMENT, PROVISIONS FOR SWING, CARRY-OVER AND CARRY FORWARD DO NOT APPLY; HOWEVER, AMENDMENT GIVES THE GOI RIGHT TO UTILIZE UP TO 1.6 MILLION DOZEN (27 MILLION SYE) OF THE 3 MILLION DOZEN QUOTA FOR NEXT YEAR DURING THE CURRENT AGREEMENT YEAR.

6. TO SUMMARIZE: JANUARY AMENDMENT REDUCED YARDAGE AVAIL-  
ABLE UNDER THE AGREEMENT BY APPROXIMATELY 36 MILLION SYE,  
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BUT CREATED ADDITIONAL AVAILABILITY OF APPROXIMATELY 49  
M LLION SYE UNDER HANDLOOM QUOTA ALL OF WHICH IS AVAILABLE  
IN THE MOST DESIRABLE APPAREL AREA. IN VIEW OF THIS FACT,  
THERE IS NO JUSTIFICATION FOR AN ADDITIONAL INCREASE FOR  
INDIA NOW. WHILE WE INTEND TO BE RESPONSIVE TO THE EXTENT  
POSSIBLE WITH REGARD TO THE PROBLEMS THE GOI IS EXPER-  
IENCING IN THE MADE-UPS AND MISCELLANEOUS SUB-CATEGORY,  
PARA 4),WE DO NOT ANTICIPATE ANY FURTHER INCREASE IN  
THE APPAREL AREA. KISSINGER

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